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MEMORANDUM

TO:

Joint Fiscal Committee

FROM:

Neale Lunderville, Secretary of Administration

DATE:

October 26, 2010

RE:

FY 2011 Labor Contract and Retirement Savings -

report required by 2010 Act 156 Sec. B.1101(a)

We are hereby submitting the report on FY 2011 Labor Contract and Retirement Savings required by 2010 Act 156 Sec. B.1101(a).

Sec. B.1101(a)(1): Labor contract savings due to negotiated contract.

The State/VSEA Non-Management, Supervisory and Corrections collective bargaining agreements for FY 2011 include a 3% reduction in pay plan hourly rates. This reduction has been extended to Managerial and Confidential classified employees. In addition, step increases will be delayed 2 years (that is, there will be no step increases in FY 2011). The State/Vt Troopers' Association (VTA) bargaining agreement includes a 1 year step freeze, and various other reductions in compensation.

Executive Branch exempt employees will also see a 3% salary reduction, unless previous reductions of at least 3% have already been sustained.

Judicial and Legislative Branch employee salaries are either governed by law or separate bargaining unit agreements. The FY 2011 Judicial and Legislative budgets, as passed, already reflect FY 2011 salary savings.

Departmental budgets in the FY 2011 Appropriation Bill were developed before these salary reductions were agreed to. The General Fund value of these salary reductions was projected as \$5,548,030, and Sec. B.1101(a)(1) authorizes the Secretary of Administration to reduce appropriations accordingly.

Based on detailed salary analysis by the Department of Human Resources and our office, we allocated the reductions.

Overall, the value of the 3% reduction was computed based on the June 17, 2010 payroll. The reduction is in effect for 24 of 26 paydays, and for the extra (27th) payday in FY 2011. We added FICA, and the state shares of retirement (at the 15.37% in effect for FY 2011), LTD and life insurance (total: 23.71%). We developed the general, transportation and special fund % for each appropriation level Dept ID from BDS salary funding data.

We have apportioned the \$5,098,032 across the <u>combined</u> General and Special Fund salary base, and reduced only the General Fund appropriations, leaving the Special Funds for Departments' use to offset the reductions. Where there is no General Fund salary component, we are substituting Special Fund reductions and fund transfers, and will seek authority to do so in the FY 2011 Budget Adjustment.

The effect of the 3% reduction on the 27th payday will be a \$199,358 General Fund appropriation reduction to 2010 Act 156 Sec. B.1103(a)(1).

The detailed allocations of these savings is shown on the attached spreadsheet. It will be noted that the net result of these appropriation reductions and transfers to the General Fund is \$250,640 less than the savings set forth in Sec. B.1101(a)(1). The FY 2011 Budget Adjustment will address this shortfall.

Sec. B.1101(a)(2): Adjustment to state employees' retirement.

The state contribution to the state employees' retirement system is based on numerous assumptions, regarding actuarial projections, investment prospects and the salary base for the retirement rate, among others. These assumptions have changed during the budget process, so that the budgeted retirement rate of 15.84% has been reduced to 15.37%. Sec. B.1101(a)(2) shows the statewide General Fund and Transportation Fund savings from the budgeted amounts as \$1,768,800 GF and \$686,400 TF; however, some of these savings have already been captured in the labor contract savings in Sec. B.1101(a)(1), so the actual savings due to the reduction in retirement rate is \$789,966 in General Fund appropriations, and \$6,697 in a transfer from a Special Fund; and \$316,953 in Transportation Fund appropriations. The reductions correspond to the distribution of the initial increases that were included to bring the retirement rate to the budgeted rate of 15.84%.

The Agency of Transportation is achieving its share of the savings (\$220,394) by a reduction in the Transportation Fund appropriation for the 27th payday in 2010 Act 156 Sec. B.1103(a)(1).

The detailed allocations of these savings is shown on the attached spreadsheet. It will be noted that the net result of these appropriation reductions and transfer to the General Fund is \$972,137, and for Transportation Fund \$369,447, less than the savings set forth in Sec. B.1101(a)(2). The FY 2011 Budget Adjustment will address this shortfall.

Our proposed Budget Adjustment language covering both the labor contract savings and the retirement savings is as follows:

Sec. Sec. B.1101(a) of No. 156 of the Acts of 2010 is amended to read:

(a) In fiscal year 2011, the secretary of administration is authorized to reduce the following amounts from appropriations and shall provide a report to the joint fiscal committee by November 15, 2010 on these reductions: (1) Labor contract savings due to negotiated contract. The secretary of administration is authorized to reduce fiscal year 2011 appropriations consistent with these contract savings:

General fund \$5,548,030 \$4,784,600

Special funds \$284,302

Tobacco fund \$11,056

Internal Service funds \$18,074

Global Commitment fund \$118,907

The secretary of administration is authorized to transfer these amounts of special, tobacco and internal service funds to the general fund.

(2) Adjustment to state employees' retirement.

General fund \$1,768,800 \$789,966

Transportation fund \$686,400 \$96,559



The secretary of administration is authorized to transfer \$6,697 of special fund #21500 (inter-unit transfers) to the general fund.

Sec. Sec. B.1103(a)(1) of No. 156 of the Acts of 2010 is amended to read:

(1) To the secretary of administration for the 27th payday in fiscal year 2011, to be transferred to departments as the secretary may determine to be necessary:

General fund \$9,485,885 \$9,286,527 [PERTAINS TO LABOR CONTRACT SAVINGS] Transportation fund \$2,288,340 \$2,067,946 [PERTAINS TO RETIREMENT SAVINGS]

Finance and Management Commissioner Jim Reardon will be pleased to answer any questions you may have at the November 15, 2010 Joint Fiscal Committee meeting.

Attachment



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Dept ID	Appropriation	GF approp redux	or appropredux + SF Direct Apps	Spec Fund #	Spec Fund Name	Global Commitment Fund approp redux	GF approp redux	TF approp redux	
	Secretary of Administration's Office Total Communication & Information Technology Total	0				The state of the s	1,092 356	ALASKA MINIMO CONTRACTOR - MARKAGA MAR	
and the same of th	Budget & Management Total	11,261					2,003		
1115001000	Financial Operations Total Operations Total	30,999					8,465		
	Employee Benefits & Wellness Total	0					440		
T	Libraries Total	27,375			MARKATERIA		34,731		
100000	Administration Total	0							
1150300000	Engineering Total	0						6,697	97 Direct app from SF #21500 BU#01150
1150400000	Information Centers Total	43,456		and the second s			7,732		
200000	Purchasing Total	15,566			AAAAAAAAM (AAAAAAAAAAAAAAAAAAAAAAAAAAAA	And the second s	2,034		
1160050000	Postal Services Total	0 0							
ļ	Fleet Management Services Total	0 .	Control of the Contro	a second control of the second control of th					
	State Surplus Property Total	0	and the second former and the second former and the second						
	Property Management Total	00						And the second s	And Andrews Control of the Control o
1160400000	General Liability Insurance Total	0	The state of the s	A. A					
1160550000	Fee For Space Total	0	4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1						
10000	Governor's Office Total	8,300					2,798		
01000	Legislative Council Total	0					5,090		menty (A) A (A) annone a memory of the medical field of the control of the contro
02000	Legislature Total	0		-			2,478		And Anderson Communication and Andreas and Andreas and Andreas and Andreas And
1210006400	Legislative Information Technology Total	0				AND CONTRACTOR OF THE PROPERTY	2.472		
01000	Sergeant-At-Arms Total	0	hannan annan amangarandan la desemperatura de la companya de la co				1,140		
1240001000	Lieutenant Governor Total	1,751					356		
1250010000	Auditor of Accounts Total	4,606				AND COMPANY OF A SAME AND A SAME	1,068		
1250010000	Treasurer's Office Total	15,540				AMANA MAKAMBANTAN	140.0		
00000	State Labor Relations Board Total	569				A A A THE	454		
01000	Attorney General Total	40,463					12,624	ALEXANDER OF THE PARTY OF THE P	
2110000100	Public Defense Total	61,912	and the second s				12,138		
10000	Assigned Counsel Total	2,974					288		
ļ	States Attentive Total	622 70					24.952		
	Sheriffs Total	63.126	Andrews and the second				8,168		
	State Police Total	273,433					21,808	96,559	***************************************
	Criminal Justice Services Total	87,461					279		
	Emergency Management Total		1,444	21125	Hazardous Chemical Substances				h-yell-fador
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70000	Homeland Security Total	7,514	o en	edje name of district frameworks through the three franchisches best described			1,379		
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2150020000	Air Service Contract Total	4,196				THE PROPERTY OF THE PROPERTY O	245	COLOR DE COL	
40000	Building Maintenance Total	23,178	aye in the second and a second a	The same and the same of the s			3,257		
50000	Veterans' Affairs Total	9,087	the state of the s		TO THE CONTRACT OF THE PROPERTY OF THE PROPERT		1,254		
10000	Criminal Justice Training Council Total	9,489					1,542	code por la management de	AND THE PARTY OF T
100001	Administration Total	7,703					1,376		
20000	Food Safety & Consumer Protection Total	52,401	Carlotte and Carlotte State Control Control Control	A A A A A A A A A A A A A A A A A A A			3,601		
30000	Agricultural Development Total	9,543	A A A A A A A A A A A A A A A A A A A			The same of the sa	4.54		
2200040000	Labs, Agricultural Resource Management & Environmental Stewardship Total	53,447					0'+		
301000	Banking Total	Annual and the second s	0						
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010000	Secretary of State Total	806'06					3,502		
000000	Regulation & Energy Total		55,660	21698	PSD: Regulations/Energy Efficiency				
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001000	Enhanced 9-1-1 Board Total	PCC	18,899	21711	Enhanced 911 Board		900		and the second s
001000	Human Rights Commission Total	4,707	1351	21370	Tobacco Litination Settlement Frind		670		
003000	Administration Total	C	201					The second secon	
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Department of Motor Vehicles Total
Planning, Outreach & Community Affairs Total
Rail Total Administration, Management & Planning Total Support & Field Services Total Administration Total Vermont State Hospital Total
Care & Support Services Total
Vermont Commission on Women Total
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Secretary's Office Total Developmental Disabilities Council Total Human Services Board Total Alcohol & Drug Abuse Program Total Administration & Support Services Total Family Services Total Management & Support Services Total
Air & Waste Management Total
Office of Water Programs Total
Natural Resources Board Total Child Development Total
Child Support Services Total
Office of Economic Opportunity Total
Weatherization Total Woodside Rehabilitation Center Total Downtown Transportation & Capital VDOL Programs Total
VDOL Administration Total
Finance & Administration Total
Education Services Total
Tobacco Litigation Total
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Tourism & Marketing Total
Vermont Life Total
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